[Urging Congress to Support Increased Relief Funding for Small Businesses and Local Governments, and Development of Public Banks]

Resolution urging Congress to support a new stimulus package that includes increased relief funding for small businesses and local governments, with greater guidance for banks regarding fund disbursement, and to support the development of local and regional public banks through making federal funding available for capitalization.

WHEREAS, With COVID-19 spreading to significantly more communities around the country, it is clear that the epidemic has threatened the global economy at a scale not seen since the financial crisis a dozen years ago, abruptly impacting the spending and confidence that until recently supported a record-breaking job market for more than a decade; and

WHEREAS, The COVID-19 crisis and resulting shelter-in-place orders across the country have plunged 22 million Americans into unemployment—levels not seen since the Great Depression; and

WHEREAS, In the State of California, the Employment Development Department has received 2.7 million new jobless filings between March and April; and

WHEREAS, On March 31, 2020, the City Controller projected a budget deficit of up to $1.7 billion over the next two fiscal years, due to projected loss of revenue from taxes on business activity; and

WHEREAS, The Federal Government allocated $349 billion in the Coronavirus Aid, Relief and Economic Security (CARES) Act, passed by Congress and signed into law on March 27, 2020, to create a Paycheck Protection Program (PPP) in order to provide loans to small businesses with less than 500 employees, and prevent employee lay-offs during the COVID-19 crisis; and
WHEREAS, The PPP loans offered total up to $10 million each and are forgivable if businesses keep workers on payroll; and

WHEREAS, The PPP loans were administered through banks authorized by the Small Business Administration, which includes both large national and small local banks; and

WHEREAS, Within two weeks the program funds were exhausted, though it appears that only a fraction of the 30 million small businesses in the United States were able to secure loans; and

WHEREAS, Larger small businesses—those with 300-500 employees rather than under 50—tend to be better connected and have more tools to navigate the loan process, and businesses owned by women, people of color and monolingual non-English speakers are much more likely to face obstacles to loan applications and are at higher risk for predatory loans; and

WHEREAS, Major concerns about the implementation of PPP, the criteria for application and the distribution of funds have arisen, including awarding large chain restaurants with over 5000 employees and construction businesses that are deemed to be essential, and thus remain in operation, and California received the lowest rate of distribution of all 50 states (https://www.bloomberg.com/graphics/2020-sba-paycheck-protection-program/); and

WHEREAS, Such concerns extend not only to hasty loan program design by Congress but to the large commercial banks that, evidence suggests and recent lawsuits allege, favored key existing relationships with their biggest borrowers; and

WHEREAS, Congress is looking to distribute another $300 billion in loan funds and key Democratic lawmakers are advocating for more of the funds being directed to small businesses without existing banking relationships, as well as rural areas and people of color-owned small businesses; and
WHEREAS, Big banks have long been critiqued for their role in and during economic crises, including the 2008-2009 recession where large commercial banks and auto companies received a bailout of over $400 billion from the federal government; and

WHEREAS, The role of the large commercial banks in unequally distributing PPP loans show that these banks are ill equipped to provide fair leadership during this—or any—economic crisis; and

WHEREAS, Small local banks, credit unions, and community development financial institutions have developed the “relationship banking” model to respond to the needs of their local business and resident customers and to reflect local values and priorities, though these financial institutions often have limitations on their lending capacity; and

WHEREAS, A movement for public banking is growing across the United States and efforts are being made to develop local, regional or state public banks in California, Washington State, Arizona, New Mexico, Minnesota, Illinois, Michigan, New York, Vermont, New Jersey, Connecticut, Massachusetts, New Hampshire, Maine, and more; and

WHEREAS, The Bank of North Dakota, established in 1919, is the nation’s longest-running public bank, and in 2018 American Samoa established a full-service public bank; and

WHEREAS, A public bank, by definition, is owned by a public institution and therefore accountable to taxpayers and members of the public rather than private shareholders; and

WHEREAS, A public bank can obtain funds at reduced rates from the Federal Reserve and the Federal Home Loan Bank and pass that cost savings to borrowers, including local government, local financial institutions like credit unions and community development banks, and small businesses; and

WHEREAS, The Bank of North Dakota has demonstrated the ability to balance “relationship banking” with banking at scale, financing disaster recovery in the form of a) low-interest loans to residents and business after the 2011 Grand Forks floods, b) credit lines for
the North Dakota Division of Emergency Management, North Dakota National Guard, and local governments, c) extending credit partnering with local financial institutions, d) coordinating the forbearance of student loans, and more; and

WHEREAS, The California Public Banking Alliance calls for the development of public banks to support the recovery following the COVID-19 pandemic, provide emergency funding without tapping into reserves, deliver funds more efficiently, reinvest bank profits into the city, fund preventative measures for crisis resiliency, fund comprehensive emergency preparedness, and ultimately divest from Wall Street banks; and

WHEREAS, The California Reinvestment Coalition has developed a set of demands for large commercial banks, including forgiveness of home mortgage loan payments, the creation of a statewide emergency assistance grant initiative to provide short-term financial assistance along with legal services, foreclosure and eviction crisis counseling, and opportunities for tenants, community land trusts and nonprofits to purchase residential buildings; and

WHEREAS, Congressional Representative Ilhan Omar has introduced legislation that would cancel rent and mortgage payments across the United States during the coronavirus pandemic, protect against debt accumulation and negative impact on credit ratings and rental histories, and establish a relief fund for landlords and mortgage holders to cover losses from canceled payments; and

WHEREAS, In this time of crisis, a public bank can be the engine of local recovery and reinvestment for our city’s residents, allowing for a focus on public benefit over extreme profit and focusing on lower interest rates for the City and returns for the public good; and

WHEREAS, A public bank could eliminate the tens of thousands of dollars that the city pays to Wall Street banks every year to manage the City’s bank accounts; and
WHEREAS, The profits that a public bank makes are directed back into community benefits rather than to Wall Street shareholders, arguably a more responsible investment for the City’s robust pooled investment funds; and

WHEREAS, As the City of San Francisco explores local funding for small business and worker relief in response to the COVID-19 crisis, a public bank could be the mechanism to allow for low-cost lending at a local level to support the resurgence of our restaurant and small business corridors; and

WHEREAS, As San Francisco looks to recover, a public bank will lay the foundation for a more equitable local economy by financing projects including local public infrastructure, renewable energy, affordable housing, a local Green New Deal and more, that create good paying and union jobs accessible to a diverse range of workers with different skill sets, education, and training who will be looking to return to the workforce; and

WHEREAS, The development of a local, regional or state public banking model now would be timely and strategic to aid in the crisis recovery efforts, and will require capitalization funding; now, therefore, be it

RESOLVED, That the Board of Supervisors affirms its support for Congressional relief package that increases the amount of PPP funds available for small businesses; and, be it

FURTHER RESOLVED, That the Board of Supervisors calls for additional federal relief to cities that will bear the brunt of devastation to the local economy; and, be it

FURTHER RESOLVED, That the Board of Supervisors affirms its support for the distribution of funds to small businesses, people of color owned businesses, and those who experienced obstacles to the first round of small business stimulus funds, and calls upon large commercial banks to prioritize distribution of funds to the above categories of small businesses; and, be it
FURTHER RESOLVED, That the Board of Supervisor urges Congress to provide greater oversight, guidance and accountability to banks disbursing the PPP small business loans; and, be it

FURTHER RESOLVED, That the Board of Supervisors urges Congress to support the development of public banks through the allocation of federal funds to local and regional governments for the purposes of public bank capitalization; and, be it

FURTHER RESOLVED, That the Board requests a copy of this resolution be sent to San Francisco’s Congressional representatives.
Resolution urging Congress to support a new stimulus package that includes increased relief funding for small businesses and local governments, with greater guidance for banks regarding fund disbursement, and to support the development of local and regional public banks through making federal funding available for capitalization.

April 28, 2020 Board of Supervisors - ADOPTED

Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

I hereby certify that the foregoing Resolution was ADOPTED on 4/28/2020 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without her approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board